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INFO AMEMBASSY BUDAPEST

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BELGRADE FOR AGATT

E.O. 11652: N/A

TAGS: ECON, EFIN, EEWT, RO

SUBJECT: ROMANIAN ANNUAL DEVELOPMENT PLAN AND BUDGET FOR 1976

REF: BUCHAREST 5832 DEC 1975

1. SUMMARY. ANNUAL DEVELOPMENT PLAN (ADP) FOR 1976 CALLS FOR MORE OF THE SAME BUT WITH LESS PRESSURE ON THROTTLE. WHILE NATIONAL INCOME PROJECTED TO GROW AT FIVE-YEAR PLAN PACE, INDUSTRIAL PRODUCTION PEGGED FULL POINT FELOW GOAL FOR PLAN
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PERIOD AND WELL BELOW GROWTH OF RECENT YEARS. PERCENTAGE

GAINS WELL ABOVE PLAN AVERAGES CALLED FOR IN AGRICULTURE, INVESTMENT AND FOREIGN TRADE. TOTAL REAL PER CAPITA INCOME TO RISE IN LINE WITH PRODUCTIVITY, BOTH IN EXCESS OF 1976-1980 TARGETS. END SUMMARY.

2. MAJOR PLAN AGGREGATES

ROMANIAN LAW ADOPTING ADP (NO. 105/75) ESTABLISHES FOLLOWING PERCENTAGES INCREASES FOR PRINCIPAL ECONOMIC INDICATORS IN 1976 (ANNUAL PERCENTAGE RISE PROVIDED IN REVISED FIVE YEAR PLAN DIRECTIVES GIVEN IN PARENTHESES): NATIONAL INCOME-10.5 (6-7.2); INVESTMENT IN NATIONAL ECONOMY-19.4 (12.1); INDUSTRIAL PRODUCTION 10.2 (11.2); AGRICULTURAL PRODUCTION-15-26.6 (6-7.2); FOREIGN TRADE-17.8 (12.3); RETAIL SALES -10 (8); WORK FORCE-5.6 (3.2); INDUSTRIAL PRODUCTIVITY-8.5 (6.7-7.2); TOTAL REAL PER CAPITA INCOME-8-8.5 (6.5). HIGH-LIGHTS OF PLAN RELATED TO SELECTED SECTORS AND INDICATORS GIVEN BELOW:

3. INVESTMENT.

SIGNIFICANT INCREASE (19.5 PERCENT) IN PLANNED INVESTMENT IN NATIONAL ECONOMY IS MORE REFLECTIVE OF APPARENT LARGE INVESTMENT SHORTFALL IN 1975 THAN MAGNITUDE OF INCREASE THIS YEAR. FORECAST INVESTMENT LEVEL OF 159.5 BILLION LEI IMPLIES, TOGETHER WITH GROWTH RATE, THAT ACTUAL INVESTMENT THIS YEAR TOTALLED ONLY 133.6 BILLION LEI, ALMOST 18 BILLION LEI SHORT OF 75 GOAL. ACTUAL PLANNED INCREASE FOR THIS YEAR IS ONLY SLIGHTLY MORE THAN 8 BILLION LEI, 7 BILLION OF WHICH 8 SET ASIDE IN UNALLOCATED RESERVE. THESE FACTORS EXPLAIN SEEMING ANOMALY THAT, DESPITE APPRECIABLE PERCENTAGE GAIN, INVESTMENTS EARMARKED FOR SPECIFIC BRANCHES OF ECONOMY IN 1976 (143 BILLION LEI) CLOSELY PARALLEL PLANNED ALLOCATION OF PREVIOUS YEAR, AS IS APPARENT FROM FOLLOWING TABLE:

	75 ADP	76 ADP
	(BILLIONS OF LEI)	
INDUSTRY	75.1	74.8
AGRICULTURE	17.1	17.2
CONSTRUCTION	5.7	7.6
SCIENCE	1.1	.9
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TRANSPORT AND TELECOMMUNICATIONS	15.3	14.7
COMMERCE	4.5	4.2
EDUCATION AND CULTURE	3.8	4.4
HOUSING	11.6	12.8
COMMUNAL SERVICES	3.2	4.1

IN CONTRAST TO UPWARD TREND IN INVESTMENT OUTLAYS, ADP PROVIDES FOR DRAMATIC DECREASE IN NUMBER OF LARGE INDUSTRIAL AND

AGRICULTURAL PROJECTS TO BE INITIATED (355 IN 76 VS. 530 IN 75), SUGGESTING INCREASED EFFORT TO OPTIMIZE RETURNS ON EXISTING FACILITIES. SOMEWHAT SURPRISING FEATURE IS FRACTIONAL INCREASE IN PLANNED AGRICULTURAL INVESTMENT, WHICH IS WELL SHY OF ANNUAL AVERAGE IMPLICIT IN CEAUSESCU'S OCTOBER 27 CALL FOR 110 BILLION LEI INVESTMENT IN THIS SECTOR DURING PLAN PERIOD.

4. INDUSTRY

OVERALL RATE OF GROWTH OF INDUSTRY (10.2 PERCENT) REPRESENTS SHARP DROP FROM 14 PLUS PERCENT PACE OF RECENT YEARS BUT OTHERWISE CONFORMS TO ESTABLISHED PATTERNS.

A. HEAVY INDUSTRY. GOR HAD ADHERED TO TRUSTED FORMULA OF EMPHASIS ON HEAVY INDUSTRY. METALLURGY, MACHINE BUILDING, AND CHEMICAL INDUSTRIES ARE TO ACCOUNT FOR 56 PERCENT OF ALL INDUSTRIAL PRODUCTION BY END OF YEAR. OF THREE FAVORED SECTORS GOR FORESEES CHEMICAL INDUSTRY AS FRONTRUNNER WITH 18.3 PERCENT GROWTH CONCENTRATED IN PLASTICS, SYNTHETIC RUBBER AND TIRES. PRINCIPAL PROBLEM IN THIS BRANCH VIEW BY MINISTER FLORESCU AS ACHIEVING PLANNED 37 PERCENT INCREASE IN INVESTMENT INCLUDING START-UP OF 164 NEW FACILITIES. EMPHASIS IN MACHINE BUILDING WILL BE IN ELECTRICAL MACHINERY, ELECTRONICS, FINE MECHANICS, OPTICS, METAL-CUTTING MACHINE TOOLS AND NAVAL CONSTRUCTION. TARGET IS 12.8 PERCENT GROWTH RELATIVE TO 1975. IN METALLURGY MAJOR GOAL IS ATTAINMENT OF ABOUT 11 MILLION M.T. IN STEEL PRODUCTION WITH SIMULTANEOUS IMPROVEMENT OF PRODUCT RANGE (INTRODUCTION OF ELECTROLYTIC SHEET, ZINC

PLATE AND TOOL STEEL) AND INSTALLATION OF CONTINUOUS STEEL CASTING.

B. RAW MATERIALS AND ENERGY. SPECIAL ATTENTION TO BE DEVOTED TO EXTRACTION OF ROMANIAN MINERAL RESERVES AND LIMITED OFFICIAL USE

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ELECTRIC POWER GENERATION. SINGLED OUT, BUT WITHOUT SPECIFIC

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TARGETS, ARE INCREASE IN LIGNITE PRODUCTION (ESPECIALLY FOR POWER GENERATION) AND BOOST IN SUPPLY OF INDIGENOUS COAL FOR COKE PRODUCTION. ELECTRICAL ENERGY GENERATION FORESEEN AT 57.5 BILLION KWH, MODEST INCREASE OF 1 BILLION KWH OVER 75 TARGET. DOMESTIC CRUDE OUTPUT TO INCREASE FRACTIONALLY TO 14.7 MILLION MT., GAS RECOVERY TO HOLD STEADY, WHILE NET COAL PRODUCTION OF 29.6 MILLION MT. ACTUALLY PROJECTED BELOW LEVEL OF LAST YEAR. PLAN FOR 76, AS ITS RECENT PRECURSORS, STRESSES ENERGY CONSERVATION PARTICULARLY IN INDUSTRY WHERE GOR HOPES CONSUMPTION WILL DECLINE OVER 5 PERCENT PER UNIT OF OUTPUT. CONFIDENTIAL

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C. OTHER INDUSTRIES. IN HIS EXEGESIS OF ADP, STATE PLANNING COMMITTEE MARINESCU INDICATED THAT TROUBLED LIGHT INDUSTRY SECTOR WOULD GROW BY BELOW AVERAGE 8 PERCENT WHILE FOOD INDUSTRY TARGET INCREASE SET AT 10.9 PERCENT. NO QUANTITATIVE GOALS GIVEN FOR BUILDING MATERIALS BUT EMPHASIS TO BE PLACED ON CEMENT AND PREFABRICATED CONCRETE.

D. COMPARISON OF INDIVIDUAL COMMODITY AND PRODUCT TARGETS ESTABLISHED BY THIS YEAR'S ADP COMPARED WITH THOSE SET FOR 75 (DATA ON ACTUAL PRODUCTION ATTAINED HAS NOT YET BEEN RELEASED) REVEAL SOME INTERESTING VARIATIONS (PERCENTAGE GROWTH IN PARENTHESES). INCREASES PROJECTED FOR ELECTRICAL AND ELECTRONIC INDUSTRIES ARE INDEED HIGH, RAISING QUESTIONS AS TO AVAILABILITY OF MARKETS TO ABSORB THEM: ELECTRIC MOTORS - 6,70\$ MW (PLUS 8.8); MEASUREMENT AND CONTROL APPARATUS - 600 MILLION LEI (PLUS 50); AUTOMATION EQUIPMENT - 3.4 BILLION LEI (PLUS 17.2); ELECTRIC AND ELECTRONIC CALCULATORS - 1.87 BILLION LEI (PLUS 33.6); LOW TENSION ELECTRICAL MACHINERY - 3.29 BILLION LEI (PLUS 43). ROAD TRANSPORT SECTOR ON OTHER HAND SHOWS MARGINAL GROWTH EXCEPT FOR CARS; AGRICULTURAL TRACTORS - 51,500 UNITS (PLUS 3); TRUCKS - 36,000 UNITS (PLUS 2.9); PASSENGER CARS - 60,000 VEHICLES (PLUS 13.2); JEEPS - 15,000 UNITS (MINUS 9.6)

IN OTHER TRANSPORT AREAS DOWNTURN IN PROJECTIONS FOR LOCOMOTIVES TO 308 (MINUS 6.1) BALANCED BY UPTURN IN OUTPUT OF SEAGOING VESSELS TO 350,000 DWG (PLUS 8). IN CHEMICAL SECTOR MOST IMPRESSIVE RATE OF GROWTH TO BE REGISTERED IN SYNTHETIC RUBBER BUT SOURCES OF 18.3 PERCENT INDUSTRY-WIDE FIGURE NOT APPARENT FROM OTHER SPECIFIC TARGETS: SYNTHETIC RUBBER - 146.5 MT (PLUS 30.3); CHEMICAL FERTILIZER - 2.28 MILLION MT (PLUS 16.2); PLASTICS AND RESINS - 512,500 MT (PLUS 8.5).

5. AGRICULTURE

ADP IN AGRICULTURE APPEARS MIXTURE OF IRREPRESSIBLE ROMANIAN OPTIMISM (IN EXPECTATION OF "YEAR WITH NORMAL AGRICULTURAL CONDITIONS") WITH SOME TEMPERING OF SPECIFIC ESTIMATES. ROMANIAN HOPES PREDICATED ON ATTAINMENT OF UNPRECEDENTED AND, ON BASIS OF PAST PERFORMANCE, UNREALISTIC TARGET OF 20.5 MILLION MT OF CEREALS PLUS 20 PERCENT RISE IN MEAT PRODUCTION. IN CONTRAST, 76 TARGETS ARE WELL BELOW THOSE OF 75 FOR SUGAR

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BEETS (BUT FORECASTED PRODUCTION OF SUGAR IS UP), marginally DOWN FOR VEGETABLES AND ONLY fractionally HIGHER FOR SUNFLOWERS, FRUITS AND GRAPES.

A. GENERAL PRIORITIES. AS INDICATED IN PARA 3, INVESTMENT FUNDS ALLOCATED TO AGRICULTURE ARE TO REMAIN VIRTUALLY CONSTANT MEASURE AGAINST LAST YEAR'S GOAL. THERE ARE, HOWEVER, SOME MAJOR SHIFTS IN EMPHASIS WITHIN SECTOR. HAVING GONE ALL OUT FOR IRRIGATION, GOR HAS BACKED OFF TO LEVEL SUSTAINABLE OVER LONGER PERIOD (150,000 HA FOR 76 VS 519,000

IN 76), WITH MOST OF INCREASE IN TOTAL ACREAGE TO BE DEVOTED TO CORN PRODUCTION. EMPHASIS TO BE PLACED ON VEGETABLE PRODUCTION, ESPECIALLY CONSTRUCTION OF GREENHOUSES; FRUIT AND GRAPE PRODUCTION; STORAGE FACILITIES. IN ANIMAL HUSBANDRY

FOCUS WILL BE ON IMPROVED SELECTION, REPRODUCTION, AND LOWER MORTALITY RATES. LIVESTOCK HERD PROJECTED TO RISE MINIMALLY EXCEPT FOR SOWS (PLUS 7 PERCENT). DOUBLE CROPPING IS TO BE EXTENDED ESPECIALLY IN IRRIGATED AREAS. INCREASE IN RATE OF MECHANIZATION IS MODEST WITH DELIVERY OF NEW TRACTORS TO REMAIN CONSTANT BUT WITH RISE IN COMBINE PRODUCTION FOR MECHANIC USE FROM 4450 TO 5100. ON OTHER HAND, SIGNIFICANT INCREASE (23.4 PERCENT) PROJECTED FOR FERTILIZER USAGE (1.45 MILLION MT VS. 1.18 MILLION MT).

B. SPECIFIC TARGETS. GOR EXPECTATIONS FOR SELECTED COMMODITIES, WITH PERCENTAGE INCREASE OF PROJECTIONS IN 75 ADP, ARE AS FOLLOWS:

COMMODITY	M.T.	PERCENT CHANGE
CEREALS	20,570	PLUS 2.9
(WHEAT)	(7,225)	(PLUS 4.3)
(CORN)	(11,935)	(PLUS 4.2)
SUGAR BEET	7,200	(MINUS 15.9)
SUGAR	594	(PLUS 7)
SUNFLOWERS	1,080	(PLUS 1.7)
SOYBEANS	321	(NOT RECORDED IN 75 ADP)

EDIBLE OIL 298 (MINUS 2.3)
 FIELD VEGETABLES 3,950 (MINUS 2.3)
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FRUITS	1,930	(PLUS 1.6)
GRAPES	1,642	(PLUS 0.4)
MEAT, LIVE WEIGHT	2,298	(PLUS 8.8)
MEAT	945.5	(PLUS 15)

(DISCREPANCY BETWEEN ABOVE PERCENTAGE GAIN AND 20 PERCENT FIGURE CITED BY MICULESCU IN HIS SPEECH MAY REFLECT SHORTFALL IN 75 PRODUCTION)

6. FOREIGN TRADE

IN CUSTOMARY FASHION ADP AND SUPPORTING SPEECHES CAREFULLY AVOID CONCRETE INDICATIONS OF GOR PLANS. WHAT GOR PREPARED TO PUBLISH FOR INTERNATIONAL CONSUMPTION CONTAINS NOTHING ABOUT ANTICIPATED COMPOSITION AND ONLY MOST GENERAL DESCRIPTION OF DESTINATION.

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A. FOREIGN TRADE SECTION OF ADP IS CURSORY TREATMENT, DEVOID OF MEANINGFUL DETAIL. POSITED GROWTH RATE OF 17.8 PERCENT IS APPRECIABLY HIGHER THAN 5-YEAR PLAN AVERAGE OF 12.3 PERCENT. WHILE TARGET IS CONSISTENT WITH APPROXIMATE 18 PERCENT RATE REPORTED BY DEPY PM PATAN TO HAVE BEEN AVERAGED IN PLAN JUST COMPLETED, THAT RATE OF GROWTH IS WELL ABOVE MINIMAL 3.5 PERCENT INCREASE APPARENTLY ACHIEVED IN 1975. TOURISM GROWTH FORECAST AT 7 PERCENT. STANDARD RESTATEMENT OF GOALS INCLUDE: PRODUCT DIVERSIFICATION AND QUALITY IMPROVEMENT; INTEGRATION OF LICENSED PRODUCTS, RATIONAL UTILIZATION OF FUNDS ALLOCATED TO MINISTRIES, INTENSIFIED MARKET RESEARCH AND INCREASED COOPERATION

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ACTIVITIES WITH FOREIGN PARTNERS.

B. IN HIS SPEECH SUPPORTING ADOPTION OF ADP, PATAN
ESSENTIALLY REITERATED HIS SEPTEMBER PROGNOSTICATION OF
1976-80 TRENDS. TRADE WITH ALL SOCIALIST COUNTRIES PRE-
DICTED TO ALMOST DOUBLE. ECONOMIC RELATIONS WITH CEMA

PARTNERS TO OCCUPY "AN IMPORTANT RANGE" AS GOR STRIVES TO

REALIZE CEMA COMPLEX PROGRAM ON BASIS OF PRINCIPLES OF
RESPECT FOR SOVEREIGNTY, INDEPENDENCE, FREE CONSENT OF
STATES, FRATERNAL MUTUAL ASSISTANCE AND MUTUAL ADVANTAGE.
"EVER MORE IMPORTANT ROLE" WILL BE PLAYED BY EXCHANGES AND
COOPERATION WITH DEVELOPING COUNTRIES, WHICH COLLECTIVELY ARE
TO ACCOUNT FOR 30 PERCENT OF OVERALL ROMANIAN FOREIGN TRADE
BY 1980. NO QUANTITATIVE TARGET ESTABLISHED FOR TRADE WITH
DEVELOPED COUNTRIES. RATHER, PATAN WARNS, FULL DEVELOPMENT
OF TRADE WILL REQUIRE ELIMINATION OF OBSTACLES STILL PRESENT IN
INTERNATIONAL RELATIONS. PROMINENCE ALSO ACCORDED TO
RELATIONS WITH MORE THAN 40 UN ECONOMIC ORGANIZATIONS WHICH

VIEWS AS SIGNIFICANT IN SOLUTIONS OF PROBLEMS SUCH AS
ELIMINATION OF GAP BETWEEN RICH AND POOR COUNTRIES; CREATION
OF JUST AND EQUITABLE RELATIONSHIP BETWEEN PRICES OF AGRI-
CULTURAL PRODUCTS, RAW MATERIALS AND INDUSTRIAL GOODS.

7. CONSUMER ISSUES

GOR WILL ENGAGE IN CONSCIOUS FRONT-END LOADING IN ITS INCOME
POLICY. TOTAL REAL PER CAPITA INCOME OF POPULATION AS WHOLE
WILL BE ALLOWED TO INCREASE BY RATE (8-8.5 PERCENT) LESS THAN
PROGRAMMED FOR LAST YEAR BUT WELL ABOVE 5 PLUS PERCENT AVERAGE
OF REVISED FIVE YEAR PLAN. TO BOLSTER AGRICULTURAL OUTPUT
GOR WILL CONSCIOUSLY FAVOR AGRICULTURAL WORKER WITH RELATIVELY
HIGHER BOOST (9-12 PERCENT). AS OUTLET FOR LARGER INCOMES
GOR FORESEES INCREASED RETAIL SALES ALSO AT ABOVE-PLAN
AVERAGE. APPRECIABLE PRODUCTION INCREASE PLANNED FOR CERTAIN
CONSUMER DURABLES (REFRIGERATORS, WASHING MACHINES) BUT NOT
STIPULATED HOW MUCH OF THIS GROWTH WILL BE CHanneLED INTO
DOMESTIC ECONOMY. PLANNED EXTENSION IN NUMBER OF PRIVATELY-
FINANCED APARTMENTS, WHICH ACCOUNT FOR ENTIRE PROJECTED RISE
(8.8 PERCENT) IN APARTMENT CONSTRUCTION, SHOULD ALSO ABSORB
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CONSUMER FUNDS.

8. BUDGET

STATE BUDGET FOR 1976 BALANCED AT 215.8 BILLION LEI, RISE OF
ABOUT 4.4 PERCENT ABOVE PREVIEWAL YEAR. RELATIVELY LARGE
INCREASES
(10.3 PERCENT) RECORDED IN EXPENDITURES ON SOCIAL-
CULTURAL ACTIVITIES, WHERE LARGEST GAINS REGISTERED IN FIELDS
OF HEALTH (PLUS 17.3 PERCENT) AND EDUCATION (PLUS 13.9 PERCENT).

DEFENSE EXPENDITURES TO REACH 10.4 BILLION LEI OR 7.3
PERCENT ABOVE 75 FIGURE.

9. COPIES OF ADP AND BUDGET WILL BE POUCHED.

10. COMMENT. ADP PRESERVES HIGH-GROWTH, BROADLY-BASED
PATTERN OF DEVELOPMENT ROMANIA HAS SUCCESSFULLY PURSUED IN
RECENT YEARS. 1976 SHOULD, HOWEVER, PROVIDE MORE INTEREST-
ING TEST OF GROWTH
OF ROMANIAN ECONOMY SINCE RELATIVE RELIANCE
ON INDUSTRIAL SECTOR IS TO DECLINE (IN FIRST YEAR OF 1971-
1975 PLAN, FOR EXAMPLE, INDUSTRIAL GROWTH RATE FIXED AT 11.5
PERCENT, WELL ABOVE TARGET FOR NATIONAL INCOME). ASSUREDLY,
PERIOD OF CONSOLIDATION IN INDUSTRY, AS SUGGESTED BY MARKED
REDUCTION IN NEW PROJECTS, WOULD ESTABLISH BASIS FOR SOUNDER
GROWTH IN LATER YEARS. AT SAME TIME, SHIFT IMPLIES THAT
ACHIEVEMENT OF NATIONAL INCOME GOAL WILL DEPEND RELATIVELY
MORE ON GROWTH OF OTHER SECTORS, INCLUDING CAPRICIOUS
AGRICULTURAL SECTOR, WHICH HAVE NOT BEEN MAJOR PERFORMERS
IN PAST. CHANGE IN BLUEPRINT OF DEVELOPMENT THEREFORE SEEMS
TO SIGNIFY PREPAREDNESS OF RENEWED ECONOMIC PLANNERS TO
GAMBLE A BIT MORE, WHETHER OUT OF CHOICE OF NECESSITY.

11. ALSO INTERESTING IS GOR'S DECISION TO OPEN NEW PLAN
WITH HIGHER-THAN-AVERAGE WORKER BENEFITS. MAGNITUDE OF
INCREASE, FOLLOWING ABOVE-NORM GROWTH OF BENEFITS IN 1975,
COULD STIMULATE SOME FUTURE EXPECTATIONS ON PART OF POPULACE
WHICH GOR HAS NOT SHOWN ITSELF WILLING TO SATISFY.

12. WE INFORMED ADDITIONAL GOR DATA ON FULFILLMENT OF 1975
ADP WILL BE RELEASED BY END OF MONTH, ON WHICH BASIS WE
WILL BE ABLE TO OFFER ADDITIONAL COMMENTS ON ROMANIAN ECONOMY
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AND ITS IMPACT UPON INTERNAL POLITICAL SCENE.
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